

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 L-03 EB-08 COME-00 H-01 SP-02 USIA-06  
AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01  
CEA-01 SSM-03 CIAE-00 FRB-03 INR-07 NSAE-00 XMB-02  
OPIC-03 LAB-04 SIL-01 IGA-02 NEAE-00 /088 W  
-----181747 096457 /46

P 181411Z FEB 77  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC PRIORITY 1923

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E.O. 11652: NA  
TAGS: USEGJC, EINV  
SUBJ: WORKSHOP ON LAW 43

REF: (A) STATE 36974, (B) CAIRO 2398

1. WORKSHOP FEB 26 TO CONSIDER REVISIONS OF LAW 43 IS BEING ORGANIZED BY MINECON WITH HELP FROM FORD FOUNDATION. WE ARE ADVISED THAT INVITATIONS HAVE BEEN SENT TO NUMBER OF POTENTIAL US INVITEES, INCLUDING COMPANIES WITH AN INTEREST (OR EXPERIENCE) IN INVESTMENT IN EGYPT, PLUS POTTS AND BRUGGERMAN OF JBC STIMULATION TEAMS. OTHER ATTENDEES WILL CONSIST OF LOCAL REPRESENTATIVES OF FIRMS WHICH HAVE ALREADY INVESTED AND/OR ARE STILL TRYING.

2. SESSION IS INTENDED TO LAST ENTIRE DAY (8 A.M. TO 9 P.M.) AT LEAST, AND IS DESIGNED TO BE A WORKING-LEVEL, NUTS AND BOLTS DISCUSSION OF SPECIFIC POINTS, INCLUDING LANGUAGE CHANGES IN LAW AND REGULATIONS. FORD REPS DOUBT THAY COMPANY PRESIDENTS, ETC., WOULD BE ABLE TO MAKE MEANINGFUL CONTRIBUTION UNLESS THEY ARE FULLY INFORMED ON DETAILS OF LAW 43, BUT THEY ARE REPORTEDLY AT LIBERTY TO COME IF THE COMPANY HAS BEEN INVITED.

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WE HAVE NOT BEEN INFORMED AS TO FIRMS ON THE LIST, NOR WERE WE CONSULTED SINCE THE ENDEAVOR IS PRIVATE SECTOR ON THE NON-EGYPTIAN SIDE.

3. FORD HOPES THAT WORKSHOP WILL BE SERIOUS AND PRODUCTIVE, UNLIKE FEB. 14 MEETING BETWEEN INVESTMENT AUTHORITY DEPUTY CHAIRMAN ABDEL MONEIM RUSHDI AND

ECONOMIC COMMERCIAL OFFICERS OF RESIDENT FOREIGN MISSIONS. SESSION WAS NOT VERY USEFUL AND TENDED TO BOG DOWN ON THORNY AND ESSENTIALLY PERIPHERAL ISSUE OF WHAT, IF ANYTHING, TO DO ABOUT INVESTMENTS MADE UNDER EXISTING PROVISION SPECIFYING TRANSFER OF CAPITAL AT OFFICIAL RATE IF LAW IS CHANGED TO ALLOW TRANSFER AT PARALLEL RATE.

4. ALTHOUGH RUSHDI'S REMARKS BROKE LITTLE NEW GROUND, A FEW POINTS OF INTEREST DID EMERGE. GOE IS EVIDENTLY STILL QUITE SENSITIVE ABOUT POSSIBILITY OF PRIVATE FOREIGN INVESTORS TAKING ADVANTAGE OF IT. HE SPOKE OF EXCESSIVE INITIAL DEMANDS BEING MADE BY COMPANIES, AND SUGGESTED THAT GOE WAS PREPARED TO BARGAIN LONG AND HARD TO BE SURE IT EXTRACTED LAST BIT OF POSSIBLE BENEFIT FROM AN AGREEMENT. (FACT THAT CURRENT LAW ENCOURAGES BLUE-SKY DEMANDS BY NOT DELINEATING WHAT IS ACCEPTABLE HAS CONSISTENTLY ELUDED EGYPTIANS.)

5. EMPHASIS ON EXPORTS BY INVESTING FIRMS, IN ADDITION TO BEING DICTATED BY FOREIGN EXCHANGE SHORTAGES, WAS ALSO A REFLECTION OF GOE SENSITIVITY. EXPORT PRICE OF PRODUCTS MADE HERE WOULD BE USED AS GUIDELINE TO ASSURE EGYPTIANS THAT THEY WERE NOT PAYING TOO MUCH FOR IT WITHIN THE COUNTRY. IN CONNECTION WITH ASSURING EGYPTIANS OF A FAIR PRICE, RUSHDI WAS ALSO CRITICAL OF PROJECTS WHICH, IN ORDER TO BE VIABLE, WOULD REQUIRE RAISING OF EXISTING CUSTOMS DUTIES. (THIS HAS BEEN FACET OF VAST MAJORITY OF PROJECTS WE HAVE SEEN).  
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6. STATISTICS CITED BY RUSHDI INDICATED THAT ABOUT 340 INVESTMENT PROJECTS HAD BEEN APPROVED, WITH A TOTAL CAPITAL OF 735 MILLION EGYPTIAN POUNDS. THESE FIGURES CLOSELY PARALLEL OTHERS WE HAVE SEEN ON THIS SUBJECT, AND PROBABLY REPRESENT APPLICATIONS RATHER THAN SOLID PROPOSALS; PROJECTS ACTUALLY IMPLEMENTED WOULD BE FAR SMALLER. A DETAILED STATISTICAL ANALYSIS OF INVESTMENTS IS UNDER PREPARATION. BY THE EMBASSY AND WILL BE SUBMITTED IN THE NEAR FUTURE.

7. RUSHDI ALSO REFERRED IN HIS REMARKS TO CREATION OF A HIGHER INVESTMENT COUNCIL, UNDER CHAIRMANSHIP OF PM SALEM, WHICH WOULD PROVIDE GUIDANCE TO EXISTING INVESTMENT AUTHORITY. NUMEROUS RECENT PRESS ARTICLES HAVE ALSO REFERRED TO FORMATION OF SUCH A COUNCIL WHICH, ACCORDING TO ONE MINECON SOURCE, WOULD MEET MONTHLY TO PROVIDE POLICY GUIDANCE TO INVESTMENT AUTHORITY AND BE ABLE TO ACT QUICKLY TO RESOLVE DIFFERENCES BETWEEN AUTHORITY AND

PROSPECTIVE INVESTORS.

8. MEETING ENDED WITH INVITATION BY RUSHDI TO GROUP  
TO SUBMIT COMMENTS ON CHANGES IN LAW TO HIS OFFICE.  
WHEN ASKED ABOUT TIMING, RUSHDI INDICATED THAT LEGISLATIVE  
CONSIDERATION OF AMENDMENTS MIGHT OCCUR BY MARCH, BUT  
HE MADE IT CLEAR THIS WAS ONLY SPECULATION.  
EILTS

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
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